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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

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LOGISTICS AND COMMUNICATIONS
DIVISION

B-179864

~~74-0259~~

APR 15 1974

74-0259

1/1R The Honorable Wayne Owens
House of Representatives

Dear Mr. Owens:

Your October 12, 1973, letter requested that we verify whether the
1 awarding of a contract by the General Services Administration (GSA) to
2 F. C. Stangl for constructing 45,000 square feet of office space for the
3 Internal Revenue Service (IRS) in Salt Lake City was done completely in
accord with the law. 17 2344

We inquired into the solicitation, offer, and award of the contract and found no indication that the contract was awarded in violation of the law.

In February 1973 IRS requested GSA to provide 44,690 square feet of office space in Salt Lake City. The GSA Denver Region advertised this requirement in two newspapers in March 1973. A solicitation for offers, dated April 9, 1973, was issued to 20 prospective offerors. In addition to the office space, the solicitation specified a requirement for 60 off-street parking spaces for patrons and officials. GSA solicited these offers under the authority of section 302(c)(10) of the Federal Property and Administrative Services Act of 1949, as amended (41 U.S.C. 252).

In response to GSA's solicitation, six proposals were received as follows:

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<u>Offeror</u>	<u>Address in Salt Lake City</u>	<u>Building</u>	<u>Rental cost a square foot</u> <i>D. 2844</i>
F. C. Stangl Construction Company	403 E. 5th S.	To be constructed	\$5.000
Western Investors Realty Associates	3500 S. Main	To be constructed	5.100
Capitol Industries Manager, University Club Building	1845 S. Main	To be constructed	5.847
Zions Security Corp., ZCMI Office Tower	136 E. S. Temple	Existing building	6.000
Lawyers Building Associates, Bee- hive Bank Building	36 S. State	Under construction	6.250
	79 S. State	Existing building	6.730

As shown above, the F. C. Stangl Construction Company submitted the lowest offer of \$5 a square foot.

By letter dated May 18, 1973, the Denver Region informed each offeror that negotiations were being conducted and that he must complete final modifications to his offer before May 30, 1973. The Lawyers Building Associates reduced its offer from \$6.73 to \$6 a square foot during initial negotiations and later reduced it to \$4.95 a square foot. During the negotiations, F. C. Stangl reduced its offer of \$5 to \$4.95 a square foot. GSA records do not indicate that any of the other four offerors changed his original proposal.

In a June 5, 1973, letter, the GSA Denver Region notified the Regional Facilities Management Officer, IRS, San Francisco, that it had evaluated the lease proposals and F. C. Stangl Construction Company's proposal would be the most acceptable. The IRS official concurred in the selection.

The GSA Regional Appraiser was requested to appraise the building proposed to be constructed by the F. C. Stangl Construction Company. On June 15, 1973, the Appraiser reported that the fair annual rental including services was \$250,800, which is higher than the annual rental of \$221,265 which the Government will pay the lessor.

By letter dated June 19, 1973, the GSA Regional Administrator recommended to the Assistant Commissioner for Space Management, Washington, D.C., that the Region be authorized to accept the offer submitted by the F. C. Stangl Construction Company and to enter into a 5-year firm term lease for 44,700 square feet of net usable office space fully serviced at an annual rental of \$221,265 (\$4.95 a square foot). In making the recommendation, regional officials commented on the two lowest offers as follows:

- The Stangl building will be on the edge of the downtown core area. Ingress and egress to the parking area will be provided at three locations. The size (18,000 square feet per floor) and configuration of the building will allow for optimum use of office excellence (GSA's term for space planning) and open areas with the public contact area located on the first floor.
- The building offered by the Lawyers Building Associates is in the highly congested downtown core area. The gross area of each floor is 9,400 square feet. The major tenant is a bank and the required parking is offered in three separate locations with very poor ingress and egress.

The Acting Commissioner for Space Management; the Commissioner, Public Buildings Service; and the Administrator of GSA all concurred in the Region's recommendation to accept the F. C. Stangl offer.

GSA notified the F. C. Stangl Construction Company in an October 1, 1973, letter that its offer to provide 44,700 square feet of net usable office and related space in a building to be constructed at 403 East 5th Street, South, Salt Lake City, had been accepted. The annual rental for the initial 5-year term of the lease will be \$221,265, including all utilities and services. The lease may be renewed at the option of the Government for one 5-year term at the annual rental rate of \$254,790 (\$5.70 a square foot).

GSA said the F. C. Stangl Construction Company owned the construction site and some of the tenants presently located on the site did not want to move. After lease award, these tenants sued GSA and requested relocation assistance pursuant to the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (42 U.S.C. 4625). This act states that, whenever the acquisition of real property for a program or project by a Federal agency displaces any person, the head of such agency shall provide a relocation assistance advisory program for the displaced person.

The GSA regulations about lease acquisitions, which implement the provisions of the act, provide that:

"The relocation provisions of the Act do not apply to leasing actions except where persons are displaced as a result of the condemnation of a leasehold interest or lease construction of a building which has received congressional approval as a public buildings project pursuant to section 7(a) of the Public Buildings Act of 1959 (40 U.S.C. 606)."

GSA's position is that a relocation assistance program was not required for this lease acquisition because neither of the above exceptions applied.

B-179864

On November 2, 1973, GSA was ordered by the United States District Court for the District of Utah, Central Division, to provide a relocation assistance program for the plaintiffs. The United States Attorney filed a Motion for Reconsideration and requested oral arguments on the issues. The matter is still unresolved.

We do not plan to distribute this report further unless you agree or publicly announce its contents.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "F. J. Shafer".

F. J. Shafer
Director